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assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control.

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna.

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

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Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours.

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people.

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube.

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 ● 471 [651]

471 475 regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

[647] According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

453 652 727 c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far